FOREST PRODUCTS MARKET IN 2002
AND PROSPECTS FOR 2003
IN ROMANIA

1.General economic trends affecting the forest and forest industries sector

The first seven months of 2002 confirmed the trends in economy outlined in the previous year. Industrial output presented in absolute volume an increase of 4.2 % [x)] compared with the same period of 2001 mainly due to growths recorded in the processing industry (+5.5 %).

The growing in the volume of activities and consequently the gross added value recorded in the industry (+4.7%) construction works (+5,4%) services (+2,9%) with a contribution of 80,4% in Gross domestic product determined the increase G.D.P. by 4,4% in the first six months 2002 compared with same period of the previous year.

In this context the other indicators have been also improved. Comparing the achievements of the first half-year 2002 with those of the same period of the previous year it results:

<the increase of investments in national economy by 4,2%. From the total investments in the second quarter 2002,the private sector represented 61,5%;

<the increase of construction works by 4,3% of which, about 88,1% represented works in private majority ownership;

< the increase of dwelling units under execution . In the first half- year it is accomplished a number of 9461 dwellings and at 30 June 2002 there were in various construction stages 83497 dwellings (70% from private funds) of which about 40% in final stage;

<the average rate of inflation was 1,4% compared with 2,2% in the same period of 2001 ;

< in the first half-year of 2002 it has been recorded significant growths of exports-+12.4%-

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[x)] National Commission for Statistics – Monthly Statistic Bulletin – issue 7 / 2002.

. These covered just 84% from the volume of imports so that, at the end of July FOB/ CIF trade balance was negative (-2185,5 million USD*)but 65,1 % of imports represented industrial supplies and capital goods asked by the important volume of works for the modernization of industry.

The special preoccupation in line with the increase of efficiency, in the absence of suitable steps for provision of new working places, determined an unemployment rate higher than the rate recorded in 2001.It was 9% at the end of July.

The economic surveys at the macroeconomic level appreciated that main indicators and the envisaged trends will not be changed significantly in the next months. G.D.P. will record a growth of 4,5%,the domestic consumption of population will increase by 3,5% and the inflation will be of 30,3%. Under these terms, the wood products market will not be influenced markedly by the condition of home market, since the production is structured and extended mainly in relation with the trends of international market.

The woodworking industry recorded during 1.I –31. VII 2002 a growth by 5,3% compared with the same period of the previous year, with a special mark on the wood pulp, paper and paperboard industry having a growth of 8,8%

The start up of some important capacities in the previous years changed the configuration of production and trade of wood and wood products, evidencing the reduction of export volume for sawlogs and sawnwood (the level of 2000 represents for these products a peak which can be hardly reached) and, also, the entering of Romania on the international market with new products, for example, M.D.F.

2.Developments in forest products markets sectors

A. Value-added forest products and engineered wood products

As a result of changes in the demand of wood products on local and foreign market, in the structure of available sources of raw materials for industry and also, in the structure of production capacities the production structure has been also changed.

In the wood industry as a whole it is ascertained a consistent recurrence in the furniture industry which, at the level of 2001, has recorded a share of 38.5 %. The developments taking place at present will secure the growth of production to a level of 50 % from the aggregate production of wood industry. In the first half of 2002, from the total export of wood and wood products the furniture is ranked at a value of 296.1 million USD representing about 46% and for the future it is envisaged the keeping steady this share to the end of 2003.

This trend is not provided also for another high value added products. Besides the important growths in the housing construction market, the production of doors-windows and parquetry is situated, in the first months of the year, below the level recorded in 2001. In case of these products the influence of similar products made by substitutes is found on the domestic market. From the total production of doors-windows -295 thousand cum in the first half year of 2002- an amount of 184 thousand cum has been exported (62.3 %).

Another sector –prefabricated buildings preponderantly made of wood-in quick a production estimated to 25 thousand units at the level of 2002 and with possible subsequent extension of capacity to 30 thousand units in 2003 , the large part (80%) being intended for export.

The paper and paperboard sector remains further dependent of imports. It is estimated the imports in amount of 235 million USD at the level of 2002 compared with the exports of only 35 million USD.

B. Certified forest products

Within the Project FAO-TCP- ROM/6612 concerning the implementation of Strategies for Forestry Development in Romania, the activity in respect of implementation of forests certification system in accordance with F.S.C norms resulted as a first step in the certification of forests covering an area of 31600 ha.in two forest districts under the control of National Forest Administration. This activity will continue, having in view the certification in the final stage of 1.0 million ha. Concomitantly it have been initiated actions for certification of private forests. Another action of high interest for wood industry Companies is the certification of „Chain of Custody". In the first quarter of 2ooo S.C. M.D.F. –Sebes FRATI company has been certified by ICILA- Italy.

C. Sawn softwood

Following the growth recorded in 2000, the production of coniferous sawnwood encountered in 2001 a reduction to 1.8 million m^3 and will know the same values in 2002 and 2003 in relation with the removals. The slight increase on the home market determines the keeping steady of yearly export around 1.3 million m^3 (72%) of production.

D. Sawn hardwood

The production of non-coniferous sawnwood recorded in 2002 an increase of 7,6% compared with 2001 and another increase is foreseen for 2003 to the volume of 1.39 million m^3 (+3% compared with 2002) Consequent with the forecasted domestic consumption (about 800 thousand m^3/ year) for the whole period the exports will amount to 40% of total production

E. Wood-based panels

In this category, will not find important changes in the volume of production and domestic consumption of *plywood and veneer sheets.* Under these terms it will be maintained also the parameters of imports- exports. For plywood is envisaged an export in equivalent with 75% of production volume while for veneer is envisaged the import of 58% of the domestic consumption.

Important increases are also provided for *production of particle board and fibreboard as a result of investment and modernization in this sector.* Hence, the production of particle board will reach 270.m^3 (twice than production of 2001) and the production of fibreboard know an increase by 40,7% of which, 89%, respectively 260 thousand m3 is MDF. In accordance with the increase of production volume and also with the diversification and improvement of product quality, in the first seven months of this year it has been recorded important growth of exports and, for the whole year, is provided the export of 110 thousand cu. m particle board and 220 thousand m^3 MDF (84,2% of production). It is estimated that in 2003 Romania will export 120 thousand m^3 particle board and 259 thousand m^3 fibreboard of which 240 thousand m^3 is MDF (when reaching the full capacity –290 thousand m^3/year at SC MDF – Sebes FRATI) The import of particleboard is at high level in 2002 –240 thousand m^3 – but with a decrease in 2003 to 150 thousand m^3 due to foreseen increase of production by 100 thousand m^3.

F. Pulp and paper

The production of pulp and paper, without significant changes in the capacity: *pulp production-* 268 thousand tons in 2001 and 300 thousand tons in 2003 respectively *paper and paperboard-*395 thousand tons and 420 thousand tons in this time interval, will know a valuable increase by diversification of assortments as a result of modernization carried out in the pulp and paper plants. In the first half-year the output of this sector was by 8,8% higher than records registered in the same period from 2001 due to the increase as much as twice the production of special technical paper, increase with 33,4% for the duplex – triplex board, while the newsprint production decreased by 33%. For the entire year 2002 the growth index in the sector is maintained. The forecasts for 2003 estimate the same level of production capacity.

Because the domestic paper and paperboard production do not cover the internal demand in 2002 is recorded also important imports. For the first six months of this year the imports amounted to 158,3 million USD compared with 48,2 millions USD exports. The large majority of imports came from EU countries and the exports-60%- are outside of EU area. For 2003 is estimated the decrease of imports by 30 thousand tons. The exports will be at the level of 180 thousand tons the same as in 2002.

G. Wood raw materials

Under the condition of small variations of removals per total 12.424 million m^3 in 2001, 12.890 million m^3 in 2002 and 13.150 million m^3 in 2003 it is ascertained a minimum increase in the production of sawlogs and veneer logs since the Romanian market has grown it's concern in the supplies of raw materials for the production of boards, pulp and paper.

The production of coniferous sawlogs and veneer logs will know in 2002 an increase of 4% compared with 2001, the same trend being also envisaged for 2003. The removals of coniferous logs is also influenced by the high volume of windbreaks recorded in this year- 6.0 million m^3-to be logged over in about 3 years. In case of non coniferous sawlogs and veneer logs no increase in production is foreseen. The existence in 2002 of some government regulations which limited to the level of April, this year, the raw wood exports ,to encourage in this way the production of high value added products will not allow to the end of this year the exports higher than 90 thousand m^3 softwoods and 70 thousand m^3 hardwoods It is ascertained that for 2003 only the softwood exports will know some increase. At the same time there will be approximately constant imports of 50-60 thousand m^3 /year of softwood timber.

The pulpwood, in correlation with the increase in the production of boards, pulp and paper, knows an increased demand on the domestic market: +13,4% in 2002 and +5,9% in 2003 compared with the previous year so, that it is not available for export being possible some imports.

3. Tables

Forest products production and trade in 2001, 2002 and 2003